

# QUARTERLY REPORT

Amended  
5/4/06

**LICENSEE: BOARDWALK REGENCY CORPORATION (Caesars Atlantic City)**

**FOR THE QUARTER ENDED DECEMBER 31, 2005  
REVISED APRIL 30, 2006**

**TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY**

# BALANCE SHEETS

REVISED APRIL 30, 2006  
AS OF DECEMBER 31, 2005

Amended

5/4/06

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	(d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and Cash Equivalents.....	\$ 31,446	
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts-(2005, \$9,256)..... Note 2.....	66,675	
4	Inventories..... Note 1.....	1,173	
5	Prepaid Expenses and Other Current Assets..... Note 3.....	17,225	
6	Total Current Assets.....	116,519	-
7	Investments, Advances, and Receivables..... Note 4.....	16,816	
8	Property and Equipment - Gross..... Note 1 & 5.....	660,286	
9	Less: Accumulated Depreciation and Amortization.....	(11,718)	
10	Property and Equipment - Net.....	648,568	-
11	Other Assets..... Note 6 & 1.....	548,831	
12	Total Assets.....	\$ 1,330,734	\$ -
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts Payable.....	\$ 15,925	
14	Notes Payable..... Note 7.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates..... Note 10.....		-
16	Other..... Note 11.....	34	
17	Income Taxes Payable and Accrued..... Note 1.....	785	-
18	Other Accrued Expenses..... Note 8.....	27,477	
19	Other Current Liabilities..... Note 9 & 1.....	34,215	
20	Total Current Liabilities.....	78,436	-
	Long-Term Debt:		
21	Due to Affiliates..... Note 10.....	518,330	
22	Other..... Note 11.....	628	
23	Deferred Credits..... Note 1.....	137,687	-
24	Other Liabilities.....	6,651	
25	Commitments and Contingencies		
26	Total Liabilities.....	741,732	-
27	Stockholders', Partners', or Proprietor's Equity.....	589,002	
28	Total Liabilities and Equity.....	\$ 1,330,734	\$ -

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF INCOME

REVISED APRIL 30, 2006

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended

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LINE (a)	DESCRIPTION (b)	2005 (c)	(d)
	Revenue:		
1	Casino.....Note 1.....	\$ 517,734	
2	Rooms.....	38,250	
3	Food and Beverage.....	60,643	
4	Other.....	19,201	
5	Total Revenue.....	635,828	-
6	Less: Promotional Allowances.....Note 1.....	128,293	
7	Net Revenue.....	507,535	-
	Costs and Expenses:		
8	Cost of Goods and Services.....	258,123	
9	Selling, Ge.....	89,558	
10	Provision for Doubtful Accounts.....	3,469	
11	Total Costs and Expenses.....	351,150	-
12	Gross Operating Profit.....	156,385	-
13	Depreciation and Amortization.....Note 1.....	37,041	
	Charges from Affiliates Other than Interest:		
14	Management Fees.....Note 12.....	16,748	
15	Other.....Note 12.....	2,947	
16	Income (Loss) from Operations.....	99,649	-
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....Note 7 & 10.....	(41,971)	
18	Interest (Expense) - External.....Note 11.....	(490)	
19	Investment Alternative Tax and Related Income (Expense).....Note 1.....	(2,742)	
20	Nonoperating Income (Expense) - Net.....Note 13 & 1.....	(1,975)	
21	Total Other Income (Expenses).....	(47,178)	-
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	52,471	-
23	Provision (Credit) for Income Taxes.....Note 1.....	24,089	
24	Income (Loss) Before Extraordinary Items.....	28,382	-
	Extraordinary Items (Net of Income Taxes -		
25	20__, \$ ; 20__, \$ ).....		
26	Net Income (Loss).....	\$ 28,382	\$ -

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF INCOME

REVISED APRIL 30, 2006

FOR THE THREE MONTHS ENDED DECEMBER 31, 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended  
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LINE (a)	DESCRIPTION (b)	2005 (c)	(d)
	Revenue:		
1	Casino.....Note 1.....	127,615	
2	Rooms.....	9,248	
3	Food and Beverage.....	14,255	
4	Other.....	4,573	
5	Total Revenue.....	155,691	-
6	Less: Promotional Allowances.....Note 1.....	30,717	
7	Net Revenue.....	124,974	-
	Costs and Expenses:		
8	Cost of Goods and Services.....	60,455	
9	Selling, General, and Administrative.....	28,532	
10	Provision for Doubtful Accounts.....	609	
11	Total Costs and Expenses.....	89,596	-
12	Gross Operating Profit.....	35,378	-
13	Depreciation and Amortization.....Note 1.....	11,855	
	Charges from Affiliates Other than Interest:		
14	Management Fees.....Note 12.....	4,095	
15	Other.....Note 12.....	(1,979)	
16	Income (Loss) from Operations.....	21,407	-
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....Note 7 & 10...	(11,086)	
18	Interest (Expense) - External.....Note 11.....	(124)	
19	Investment Alternative Tax and Related Income (Expense).....Note 1.....	(1,183)	
20	Nonoperating Income (Expense) - Net.....Note 13 & 1.....	(1,865)	
21	Total Other Income (Expenses).....	(14,258)	-
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	7,149	-
23	Provision (Credit) for Income Taxes.....Note 14.....	4,155	
24	Income (Loss) Before Extraordinary Items.....	2,994	-
	Extraordinary Items (Net of Income Taxes -		
25	20__, \$ ; 20__, \$ ).....		
26	Net Income (Loss).....	\$ 2,994	\$ -

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TRADING NAME OF LICENSEE: BOARDWALK REGENCY CORPORATION (Caesars Atlantic City)

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

REVISED APRIL 30, 2006

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	Retained Earnings (Accumulated) (Deficit) (f)		Total Stockholders' Equity (Deficit) (i)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1		-	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
2	Net Income (Loss) -								-
3	Contribution to Paid-in-Capital								-
4	Dividends								-
5	Prior Period Adjustments								-
6									-
7									-
8									-
9									-
10	Balance, December 31, 2004	100	1,370	-	-	46,065	34,038	81,473	
11	Net Income (Loss) - December 31, 2005						28,382	28,382	
12	Contribution to Paid-in -Capital					-			-
13	Dividends								-
14	Prior Period Adjustments								-
15									-
16	Acquisition by HET					523,068	(43,921)	479,147	
17									-
18									-
19	Balance, December 31, 2005	100	\$ 1,370	-	\$ -	\$ 569,133	\$ 18,499	\$ 589,002	

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

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TRADING NAME OF LICENSEE: BOARDWALK REGENCY CORPORATION (Caesars Atlantic City)

**STATEMENTS OF CASH FLOWS**

REVISED APRIL 30, 2006

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	(d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ 181,978	\$ -
	CASH FLOWS FROM INVESTING ACTIVITIES:		
2	Purchase of Short-Term Investment Securities.....	-	-
3	Proceeds from the Sale of Short-Term Investment Securities.....	-	-
4	Cash Outflows for Property and Equipment.....	(68,296)	-
5	Proceeds from Disposition of Property and Equipment.....	246	-
6	Purchase of Casino Reinvestment Obligations.....	(6,396)	-
7	Purchase of Other Investments and Loans/Advances made.....	877	-
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables.....	-	-
9	Cash Outflows to Acquire Business Entities.....	-	-
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(73,569)	-
	CASH FLOWS FROM FINANCING ACTIVITIES:		
13	Cash Proceeds from Issuance of Short-Term Debt.....	-	-
14	Payments to Settle Short-Term Debt.....	-	-
15	Cash Proceeds from Issuance of Long-Term Debt.....	-	-
16	Costs of Issuing Debt.....	-	-
17	Payments to Settle Long-Term Debt.....	(30)	-
18	Cash Proceeds from Issuing Stock or Capital Contributions.....	-	-
19	Purchases of Treasury Stock.....	-	-
20	Payments of Dividends or Capital Withdrawals.....	-	-
21			
22	Borrowings/Payments of Intercompany Payable.....	(99,370)	-
23	Net Cash Provided (Used) By Financing Activities.....	(99,400)	-
24	Net Increase (Decrease) in Cash and Cash Equivalents.....	9,009	-
25	Cash and Cash Equivalents at Beginning of Period.....	22,437	-
26	Cash and Cash Equivalents at End of Period.....	\$ 31,446	\$ -
	CASH PAID DURING PERIOD FOR:		
27	Interest (Net of Amount Capitalized).....	\$ 42,467	\$ -
28	Income Taxes.....	\$ 24,124	\$ -

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

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# STATEMENTS OF CASH FLOWS

REVISED APRIL 30, 2006

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	(d)
	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
29	Net Income (Loss).....	\$ 28,382	
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment.....	26,213	-
31	Amortization of Other Assets.....	10,828	-
32	Amortization of Debt Discount or Premium.....	-	-
33	Deferred Income Taxes - Current.....	(10,972)	-
34	Deferred Income Taxes - Noncurrent.....	137,687	-
35	(Gain) Loss on Disposition of Property and Equipment.....	714	-
36	(Gain) Loss on Casino Reinvestment Obligations.....	2,742	-
37	(Gain) Loss from Other Investment Activities.....	-	-
	Net (Increase) Decrease in Receivables and Patrons'		
38	Checks.....	(6,505)	-
39	Net (Increase) Decrease in Inventories.....	1,243	-
40	Net (Increase) Decrease in Other Current Assets.....	(2,430)	-
41	Net (Increase) Decrease in Other Assets.....	(15,722)	-
42	Net Increase (Decrease) in Accounts Payable.....	4,825	-
	Net Increase (Decrease) in Other Current Liabilities		
43	Excluding Debt.....	4,554	-
	Net Increase (Decrease) in Other Noncurrent Liabilities		
44	Excluding Debt.....	419	-
45	Impairment Loss.....	-	-
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 181,978	\$ -

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>		
48	Additions to Property and Equipment.....	\$ 68,296	\$ -
49	Less: Capital Lease Obligations Incurred.....		
50	Cash Outflows for Property and Equipment.....	\$ 68,296	\$ -
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>		
51	Property and Equipment Acquired.....		
52	Goodwill Acquired.....		
	Net Assets Acquired Other than Cash, Goodwill, and		
53	Property and Equipment.....		
54	Long-Term Debt Assumed.....		
55	Issuance of Stock or Capital Invested.....		
56	Cash Outflows to Acquire Business Entities.....	\$ -	\$ -
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>		
57	Total Issuances of Stock or Capital Contributions.....		
58	Less: Issuances to Settle Long-Term Debt.....		
59	Consideration in Acquisition of Business Entities.....		
60	Cash Proceeds from Issuing Stock or Capital Contributions.....	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

Amended

5/4/06

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	582,795	\$ 25,005		\$
2	Food	1,729,870	28,717		
3	Beverage	4,347,635	14,963		
4	Travel			19,414	5,853
5	Bus Program Cash	674,627	11,275		
6	Other Cash Complimentaries	933,834	39,887		
7	Entertainment	118,871	3,339	35,891	2,518
8	Retail & Non-Cash Gifts	157,396	3,701	113,166	15,016
9	Parking	909,122	909	569,222	1,708
10	Other *	2,729	497	245,054	2,499
11	Total	9,456,879	\$ 128,293	982,747	\$ 27,594

FOR THE THREE MONTHS ENDED DECEMBER 31, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	147,998	\$ 6,676		\$
2	Food	408,516	6,964		
3	Beverage	1,089,092	3,721		
4	Travel			4,186	1,858
5	Bus Program Cash	164,686	3,160		
6	Other Cash Complimentaries	269,245	8,134		
7	Entertainment	9,618	503	7,166	333
8	Retail & Non-Cash Gifts	43,889	1,058	24,619	3,959
9	Parking	393,640	393	209,007	628
10	Other *	507	108	64,771	706
11	Total	2,527,191	\$ 30,717	309,749	\$ 7,484

\* No item in this category exceeds 5%.



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**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Revised April 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and basis of presentation**

Boardwalk Regency Corporation (the "Company"), a New Jersey corporation, is a wholly owned subsidiary of Caesars New Jersey, Inc. ("CNJ"), a New Jersey corporation. The Company owns and operates Caesars Atlantic City Hotel/Casino ("CAC") in Atlantic City, New Jersey. CNJ is a wholly owned subsidiary of Caesars World, Inc. ("CWI"), a Florida corporation, and CWI is a wholly owned subsidiary of Harrah's Operating Company, Inc. ("HOC"). The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations.

Prior to June 13, 2005, the Company was 100% owned by Caesars Entertainment, Inc. ("CEI"). On June 13, 2005, Harrah's Entertainment, Inc. ("Harrah's") completed the acquisition of 100 percent of the outstanding shares of CEI. Following the purchase, the Company became an indirect wholly-owned subsidiary of HOC.

In conjunction with the acquisition, total equity was adjusted to the purchase price assigned to the Company, retained earnings of the Company were eliminated and the assets and liabilities of the Company were adjusted to fair value with goodwill recorded for the excess of the purchase price over the fair value of the net tangible and intangible assets. Harrah's determined the estimated fair values based on independent appraisals, discounted cash flows, quoted market prices and estimates made by management. The purchase price allocation is in process and will be completed within one year of the acquisition; thus, the allocation of the price is subject to refinement. The following table summarizes the estimated fair value of the Company's assets acquired and liabilities assumed at the date of acquisition (in thousands):

Current assets	\$ 45,691
Land, buildings and equipment	632,230
Other assets	42,248
Due from affiliates (net)	42,797
Goodwill	253,512
Intangible assets	273,000
Total assets acquired	<u>\$ 1,289,478</u>
Current liabilities	\$ 66,788
Deferred income taxes	126,773
Other liabilities	6,422
Long-term debt	518,992
Total liabilities assumed	<u>\$ 718,975</u>

**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

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For purposes of this regulatory filing, adjustments to the historical assets of the Company were reflected on December 31, 2005 and in its statement of operations for the three months and twelve months ended December 31, 2005 and in its statement of cash flows for the twelve months ended December 31, 2005. The operations of the Company for the periods prior to January 1, 2005 and for the period from January 1, 2005 through June 13, 2005 are referred to in these financial statements as the "Predecessor Company." The operations of the Company for the period from June 14, 2005 through December 31, 2005 are referred to in these financial statements as the "Company." The financial statements are required to represent a complete year of operations to satisfy regulatory requirements; however, accounting principles generally accepted in the United States require the results of the Predecessor Company's operations to be presented separately due to the different basis of accounting between the periods due to the acquisition on June 13, 2005. The Company's balance sheet, statements of income and statements of cash flow are not comparable to the Predecessor Company and are not presented here. For information on prior year, please refer to the Quarterly Report at December 31, 2004. The Company has assumed all Predecessor Company's obligations.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

#### **Revenue recognition and promotional allowances**

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The Statement of Income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

#### **Inventories**

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

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**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Property and equipment**

Depreciation is provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$11,855 for the three months ended December 31, 2005, and \$37,041 for the twelve months ended December 31, 2005.

<u>Asset class</u>	<u>Life</u>
Land improvements	12 years
Building and improvements	30-40 years
Furniture, Fixtures and Equipment	3-10 years

On November 28, 2005, the Company entered into an agreement to sell a 7.7 acre parcel of land, known as the Traymore Lot, to an unrelated third party. The value of the land was adjusted to its fair value through the purchase price allocation.

**Goodwill and Other Intangible Assets**

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, the Company performs at least an annual review of goodwill and non-amortizing intangibles. The purchase price allocation related to the CEI acquisition is in process and will be completed within one year of the acquisition; thus, the allocation of the purchase price is subject to refinement. The Company completed its annual assessment for impairment during the fourth quarter of 2005 and determined that goodwill and non-amortizing intangible assets had not been impaired. In accordance with the provisions of SFAS No. 142, the Company does not amortize goodwill.

The intangible assets include trademark totaling \$63 million and customer relationships (database) totaling \$210 million. The trademark has been determined to have an indefinite life and accordingly is not amortized. The customer relationships have been determined to have a useful life of 15 years and are being amortized using the straight-line method. Amortization expense for the period from June 14, 2005 to December 31, 2005, was approximately \$7.7 million. Based on the value allocated to amortizing intangibles as of December 31, 2005 per the preliminary purchase price allocation, estimated annual amortization expense for each of the years ending December 31, 2006, 2007, 2008, 2009, and 2010, is approximately \$14 million.

**Connection Card Program**

The Connection Card Program offers incentives to customers who gamble at Caesars casinos. Under the program, customers are able to accumulate, or bank, credits over time that they may

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**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
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redeem at their discretion under the terms of the program. The credit balance will be forfeited if the customer does not use the credit over the prior one-year period. The estimated incremental costs of the goods or services to be provided when the credits are redeemed, after consideration of estimated breakage, are expensed as the credits are earned. To arrive at the estimated costs associated with the credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which credits will be redeemed. The Company uses historical data to assist in the determination of estimated accruals.

In December 2005, the Company changed the method of calculating its liability by applying a Harrah's company-wide method. This resulted in an increase to the liability of \$3.9 million. Of this amount, \$1.3 million was attributed to pre-acquisition balances and adjusted to purchase price. Of the remaining amount, \$1.2 million was attributed to a change in method and was charged as a non-operating expense. \$1.4 million was considered current operating expense and is included in Casino Expense.

The amount accrued for the costs of anticipated credit redemptions was approximately \$7.4 million as of December 31, 2005.

#### **Fair values of financial instruments**

The fair values of the Company's financial instruments including receivables, payables and debt, approximate their recorded book values at December 31, 2005.

#### **Accounting Pronouncements**

In November 2002, the FASB issued Interpretation No. ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others." FIN No. 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply to guarantees issued or modified after December 31, 2002. Implementation of this Interpretation did not have a material impact on the Company's financial statements.

In 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 addresses consolidation of entities that are not controllable through voting interest or in which the equity investors do not bear the residual economic risks and rewards. These entities have commonly been referred to as special purpose entities. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the interest in newly consolidated variable interest entities and

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**Boardwalk Regency Corporation (Caesars Atlantic City)**  
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requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. Implementation of this Interpretation did not have a material impact on the Company's financial statements, as the Company does not have any variable interest entities.

**Income taxes**

Taxable income or loss of the Company is included in the consolidated Federal income tax return of CEI through June 13, 2005 and Harrah's thereafter. The Company provides for income taxes by applying the respective state and federal statutory rates to pre-tax financial statement income. The corresponding liability is credited to its corporate parent via other current liabilities. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Prior to the acquisition of the Company by Harrah's, any corresponding tax liability or receivable was credited or charged to CEI in accordance with the tax sharing agreement between CEI and the Company. After the acquisition by Harrah's, any corresponding tax liability or receivable is credited or charged to the Company in accordance with Harrah's overall tax accounting policies. Accordingly, the Company's balance sheet reports deferred income taxes to reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes.

The income tax provision or benefit for the period ended December 31, 2005 are as follows:

Income Tax Provision/(Benefit)

	<u>12 Months</u>
Federal:	
Current	15,629
Deferred	(50)
	<u>15,579</u>
State:	
Current	8,518
Deferred	(8)
	<u>8,510</u>
Total:	
Current	24,147
Deferred	(58)
	<u>24,089</u>

**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

Amended  
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Significant components of the Company's deferred tax assets and liabilities for the periods ended June 13, 2005 and December 31, 2005 are as follows (in thousands):

**Net Deferred Tax Liability**

	<u>12/31/2005</u>
Deferred tax assets:	
Self insurance reserves	-
Accrued compensation and related benefits	640
Allowance for doubtful accounts	3,781
Progressive Jackpots	1,656
CRDA Investment	4,190
Other	5,124
Total deferred tax asset	<u>15,391</u>
Deferred tax liability:	
Depreciation and amortization	(59,209)
Self insurance reserves	(242)
Intangibles	(82,655)
Other	
Net deferred tax asset (liability)	<u><u>(126,715)</u></u>

**Casino Reinvestment Development Authority**

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

The twelve Atlantic City casino properties (the "AC Industry") and the CRDA have entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry will provide \$34 million over a four year period to the NJSEA and must deposit another \$62 million into the Casino Expansion Fund (managed by the CRDA). The \$62 million will be derived from funds either currently on deposit or to be deposited with the CRDA pursuant to each casino property's investment obligation. The

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**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company estimates this commitment over the four year period to be a total of \$3,700, the first payment of which was made November 2004. The total estimated commitment will be charged to operations on a straight line basis through January 1, 2009. Once the Company meets its deposit obligation related to its fair share of the \$62 million, the Company is eligible to receive funds from the Casino Expansion Fund for qualified construction expenditures. The Company has until June 30, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

**Allocations and transactions with related parties**

The Company transfers cash in excess of its operating needs to HOC on a daily basis. HOC provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other Harrah's affiliates are consolidated, including limousine services, advertising, sales and marketing services, purchasing and other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable.

Harrah's allocates certain expenses to the Company, such as information technology, internal audit and risk management. These expenses are allocated using various formulas based on estimates of utilization of such expenses. Management believes that the methods used to allocate these costs are reasonable.

**NOTE 2 – RECEIVABLES AND PATRONS' CHECKS**

Receivables and patrons' checks as of December 31 consist of the following:

	<u>2005</u>
Casino receivables (net of allowance for doubtful accounts – 2005, \$9,040)	\$ 13,478
Other (net of allowance for doubtful accounts – 2005, \$216)	6,960
Due from Harrah's	45,959
Due from affiliates	278
	<u>\$66,675</u>

**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

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**NOTE 3 – PREPAID EXPENSES AND OTHER CURRENT ASSETS**

	<u>2005</u>
Tax Deferred Asset	10,972
Other	6, 253
	<u>\$17,225</u>

**NOTE 4 - INVESTMENTS, ADVANCES AND RECEIVABLES**

Investments, advances and receivables as of December 31 consist of the following:

	<u>2005</u>
CRDA deposits	\$ 12,256
CRDA bonds receivable	6,513
CRDA Seat License Agreement	3,794
CRDA Long-term note receivable	809
Other, net	<u>20</u>
	23,392
Less: valuation allowance on CRDA investments	<u>(6,576)</u>
	<u>\$ 16,816</u>

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment as of December 31 consist of the following:

	<u>2005</u>
Land	\$ 85,564
Buildings and improvements	438,698
Furniture, fixtures and equipment	67,496
Asset held for sale	58,240
Construction in progress	<u>10,288</u>
	660,286
Less accumulated depreciation and amortization	<u>(11,718)</u>
	<u>\$ 648,568</u>

Refer to Note 1 for discussion of asset revaluation



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**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 6 – OTHER ASSETS**

Other assets as of December 31 consist of the following:

	<u>2005</u>
Cost in excess of acquired assets	\$ 253,512
Customer database, less accumulated amortization of \$ 7,661	202,339
Trademark	63,000
Deferred Lease Incentive	25,060
CRDA Investment	4,239
Other	681
	<u>\$ 548,831</u>

During May 2003, the Company entered into an agreement to lease the Pier at Caesars (the “Pier”) to developers for an initial term of 75 years. The 75 year term commences upon completion of the Pier’s construction which is currently expected to be in 2006. The lease agreement provides for the repayment of certain qualified pier development costs incurred by the developers.

As financing for the qualified pier development costs, the Company and certain of its Atlantic City affiliates entered into a credit agreement (the “Credit Agreement”) with the CRDA. The Credit Agreement provides for funding from the CRDA of up to \$33,000 for qualified development costs. The CRDA funding will come from amounts either currently on deposit or to be deposited with the CRDA pursuant to the Company’s and its affiliates’ investment obligations. Repayments to the developers are limited to the funds received from the CRDA. As of December 31, 2005, the Company has received \$4,879 of previously deposited funds from the CRDA.

As of December 31, 2005, the Company repaid the developers approximately \$25,000 through CRDA funds previously deposited by an affiliate. These payments are considered lease incentive payments and will be amortized over the life of the lease.

Refer to Note 1 for discussion of Goodwill and Other Intangible Assets.

**NOTE 7 – NOTES PAYABLE**

At December 31, 2000, the Company entered into an uncommitted \$50,000 credit facility with Caesars Entertainment Finance Corporation (CEFC), a wholly owned subsidiary of CEI. At December 31, 2005, there was no outstanding balance.

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**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 8 - OTHER ACCRUED EXPENSES**

Other accrued expenses as of December 31 consist of the following:

	<u>2005</u>
Accrued payroll and benefits	\$11,523
Insurance claims	-
Real estate taxes	3,136
Lease termination fee	-
Other	<u>12,818</u>
	<u>\$27,477</u>

Liabilities of \$3,313 for insurance claims and \$1,829 for workers' compensation have been recorded by HOC as a result of a change in accounting policy. The Company receives a monthly allocation from HOC, based on estimates of utilization of such expenses. The change in accounting policy has no impact on the Company's net income.

**NOTE 9- OTHER CURRENT LIABILITIES**

Other current liabilities as of December 31 consist of the following:

	<u>2005</u>
Due to Bally's Atlantic City	\$21,309
Unredeemed slot promotions liability	1,475
Unredeemed chip and token liability	2,634
Total Rewards/Connection Card liability	7,439
Other	<u>1,358</u>
	<u>\$34,215</u>

Refer to Note 1 for discussion of Connection Card Liability

**NOTE 10 - LONG-TERM DEBT - DUE TO AFFILIATES**

Long-term debt - due to affiliates as of December 31, 2005 consists of a CEFC note due December 31, 2010 at 8.50%.

**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

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**NOTE 11 – LONG-TERM DEBT, OTHER**

Long-term debt, other as of December 31 consists of the following:

	<u>2005</u>
Mortgage Note due October 15, 2011	
Interest at 10.0%	\$ 662
Less: current maturities	<u>(34)</u>
	<u>\$ 628</u>

**NOTE 12 – CHARGES FROM AFFILIATES - MANAGEMENT FEE**

The Company has recorded expenses for the three months ended December 31 from CWI and affiliates as follows:

		<u>2005</u>
<u>Affiliate</u>	<u>Transaction</u>	
Caesars World, Inc.	Management fee	\$ 4,095
Caesars Palace Corp.	Trade name fee	<u>(1,979)</u>
		<u>\$ 2,116</u>

The Company has recorded expenses for the twelve months ended December 31 from CWI and affiliates as follows:

		<u>2005</u>
<u>Affiliate</u>	<u>Transaction</u>	
Caesars World, Inc.	Management fee	\$ 16,748
Caesars Palace Corp.	Trade name fee	<u>2,947</u>
		<u>\$ 19,695</u>

**NOTE 13 - NONOPERATING INCOME (EXPENSE) - NET**

Nonoperating income (expense) for the three months ended December 31 consists of the following:

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**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

	<u>2005</u>
Interest income	\$ 129
Impairment loss	-
Connection Card Accounting (see Note 1)	(1,193)
Demolition expense	(48)
Gain (loss) on disposal of equipment	<u>(753)</u>
	<u><u>\$(1,865)</u></u>

Nonoperating income (expense) for the twelve months ended December 31 consists of the following:

	<u>2005</u>
Interest income	\$ 488
Impairment loss	-
Connection Card Accounting (see Note 1)	(1,193)
Lease buyout expense	(281)
Loss on sale of Asset and demolition expense	(275)
Gain (loss) on disposal of equipment	<u>(714)</u>
	<u><u>\$(1,975)</u></u>

In February 2005, the Company entered into an agreement to terminate a lease with a lessee. A non-operating charge of \$281 was recorded on the statements of income.

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## STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2 (b) 1-5 during the quarter.



Signature

Controller

Title

7091-11

License Number

On Behalf Of:

Boardwalk Regency Corporation

Casino Licensee

TRADING NAME OF LICENSEE: BOARDWALK REGENCY CORPORATION (Caesars Atlantic City)

## SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

### ACCOUNTS RECEIVABLE BALANCES

LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
	<b>Patrons' Checks:</b>			
1	Undeposited patrons' checks .....	\$ 10,858		
2	Returned patrons' checks .....	11,660		
3	<b>Total patrons' checks</b> .....	22,518	\$ (9,040)	\$ 13,478
4	<b>Hotel Receivables</b> .....	4,240	(216)	4,024
	<b>Other Receivables:</b>			
5	Receivables due from officers and employees .....	683		
6	Receivables due from affiliates .....	46,237		
7	Other accounts and notes receivables .....	2,253		
8	<b>Total other receivables</b> .....	49,173	--	49,173
9	<b>Totals (Form CCC 205)</b> .....	\$ 75,931	\$ (9,256)	\$ 66,675

### UNDEPOSITED PATRONS' CHECKS ACTIVITY

LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1) .....	\$ 8,497
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) .....	279,719
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits) .....	(258,782)
13	Checks collected through deposits .....	(8,159)
14	Checks transferred to returned checks .....	(10,417)
15	Other adjustments .....	--
16	<b>Ending Balance</b> .....	\$ 10,858
17	"Hold" Checks Included In Balance On Line 16 .....	\$ 0
18	Provision For Uncollectible Patrons' Checks .....	\$ 3,272
19	Provision As A Percent Of Counter Checks Issued .....	1.17%

Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

March 31, 2006  
Date

  
Signature  
Controller  
Title of Officer

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005

(\$ in thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	(f) TOTALS
	CASINO				
1	Administration .....	0			
2	Gaming .....	1,100			
3	Slots .....	204			
4	Casino accounting .....	226			
5	Simulcasting .....	14			
6	Other .....	0			
7	Total-casino .....	1,544	\$ 36,603	\$ 508	\$ 37,111
8	ROOMS .....	380	8,079	70	8,149
9	FOOD AND BEVERAGE .....	1,130	22,776	66	22,842
	OTHER OPERATED DEPARTMENTS				
10	Parking Operations .....	77	1,308		1,308
11	Health Club / Pool Services .....	7	175		175
12	Telephone room .....	18	422		422
13	Retail stores .....	20	413		413
14	Coat Check .....	2	42		42
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office .....	7	1,037	1,296	2,333
21	Accounting and auditing .....	42	1,476	0	1,476
22	Security .....	154	5,426		5,426
23	Other administrative and general department .....	54	1,958		1,958
24	MARKETING .....	194	8,247	0	8,247
25	GUEST ENTERTAINMENT .....	20	1,812		1,812
26	PROPERTY OPERATION AND MAINTENANCE .....	294	9,758		9,758
27	TOTALS - ALL DEPARTMENTS .....	3,943	\$ 99,532	\$ 1,940	101,472

TRADING NAME OF LICENSEE: BOARDWALK REGENCY CORPORATION (Caesars Atlantic City)

**ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE**

FOR THE YEAR ENDED DECEMBER 31, 2005

Under penalties provided by law, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

  
\_\_\_\_\_  
Signature

March 31, 2006  
Date

Controller  
Title



TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

# GROSS REVENUE ANNUAL TAX RETURN

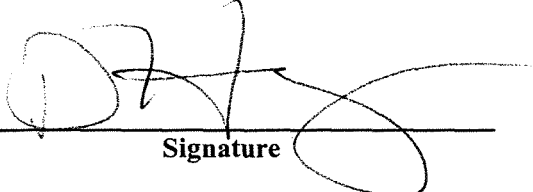
FOR THE YEAR ENDED DECEMBER 31, 2005

Line

CASINO WIN:	
1. Table and Other Games Win.....	\$ 160,579,820
2. Slot Machines Win.....	362,964,443
3. Total Win.....	523,544,263
4. Recovery for Uncollectible Patrons' Checks.....	
5. Gross Revenue (line 3 plus line 4).....	523,544,263
6. Tax on Gross Revenue - Reporting Year (8% of line 5).....	41,883,541
7. Audit or Other Adjustments to Tax on Gross Revenues in Prior Years .....	-
8. Total Taxes on Gross Revenue (the sum of lines 6 and 7).....	41,883,541
9. Total (Deposits) Made for Tax on Reporting Year's Gross Revenue.....	(41,883,541)
Settlement of Prior Years' Tax on Gross Revenue	
10. Resulting from Audit or Other Adjustments - (Deposits) Credits .....	-
11. Gross Revenue Taxes Payable (the net of lines 8, 9 and 10) .....	\$ -

Under penalties of perjury, I declare that I have examined this Gross Revenue Annual Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

3/29/06  
Date

  
Signature

Casino Controller  
Title of Officer